

1 CITY OF LYNNWOOD
2 RESOLUTION NO. 2011-13
3

4 A RESOLUTION OF THE CITY OF LYNNWOOD, WASHINGTON,
5 RELATED TO THE MID-YEAR FINANCIAL REVIEW AND MID-
6 YEAR BIENNIAL BUDGET AMENDMENTS
7

8 WHEREAS, on July 26, 2011 Finance Director Hines did present to the council his Mid-
9 Year Financial Review; and,
10

11 WHEREAS, Mayor Don Gough did present to the council at 10:20pm at that same
12 council meeting, without forewarning or consultation, a 10.5 page memo containing his
13 recommendation to address the projected deficit by reducing staffing at the city by 29.65 FTEs;
14 and,
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16 WHEREAS, no analysis was provided to the council regarding the effects of such layoffs
17 on the levels of service to our residents and businesses; and,
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19 WHEREAS, no other options were presented to the council for consideration; and,
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21 WHEREAS, on August 8 the Lynnwood City Council did adopt Resolution 2011-11, a
22 resolution related to the Mid-year Financial Review and Mid-year Biennial Budget
23 Amendments; and,
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25 WHEREAS, Resolution 2011-11 called for the Mayor to suspend implementation of
26 any layoffs until the council adopts mid-year biennial budget amendments; and,
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28 WHEREAS, Resolution 2011-11 also called on the council president to appoint a Budget
29 Task Group; and,
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31 WHEREAS, on August 8, 2011 the Council President appointed Councilmembers Mark
32 Smith, Ed dos Remedios and Loren Simmonds to the Budget Task Group; and
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34 WHEREAS, the Budget Task Group did meet eight times from August 14-September 16;
35 and,
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37 WHEREAS, the Budget Task Group did present its draft report to the council on
38 September 19; and,
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40 NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LYNNWOOD DOES
41 HEREBY RESOLVE AS FOLLOWS:
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- 43 1. The draft report of the Lynnwood City Council Budget Task Group is formally
44 adopted;

- 1 2. The council finds that the budget numbers as presented by the Budget Task Group do
2 NOT support the Mayor's call for layoffs beginning October 10 as is currently
3 scheduled;
4 3. The council renews its recommendation and strongly encourages the Mayor to
5 suspend implementation of any layoffs until the council adopts mid-year biennial
6 budget amendments.
7 4. The council calls on the Budget Task Group to continue through Dec 31, 2011 with
8 the following scope of work:
9 a) Re-assess the city's financial situation after receipt of the Finance Director's 3rd
10 quarter report expected to be presented to the council in October.
11 b) Analyze the effects on levels of service should the Mayor's suggested layoffs and
12 cuts be implemented.
13 c) Present conclusions and recommendations to the council by Nov 2, 2011 for
14 consideration during mid-biennial budget amendment deliberations.

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16 APPROVED by the Mayor this 26 day of Sept., 2011.

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18 APPROVED:

19 *declined to sign*
20 DON GOUGH, MAYOR

21
22
23 ATTEST/AUTHENTICATED

24 *[Signature]*
25 Lorenzo Hines, FINANCE DIRECTOR

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27
28
29 APPROVED AS TO FORM

30 *Rosemary Larson*
31 Rosemary Larson, CITY ATTORNEY
32

1 September 16, 2011

2
3 To: Lynnwood City Councilmembers

4 From: City Council Budget Task Group, Cm Mark Smith, Chair; Cm Ed dos Remedios;
5 Cm Loren Simmonds

6
7 RE: 2011/12 Mid-biennial budget draft report
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9

10 **Authority & Scope of Work**
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12 The Task Group was created under Resolution 2011-11 adopted unanimously by the
13 council on August 8, 2011. The relevant part of the resolution reads:
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- 15 4. *The council president, as provided for in Council Rule 17, shall appoint a*
16 *2011-12 Mid-Biennial Budget Review Task Group which shall:*
17 *a. Review the information provided by the Finance Director in his Mid-Year*
18 *Financial Review and the Mayor's memo of July 26, 2011;*
19 *b. Work with the mayor and other city staff to gather any additional*
20 *information it deems necessary;*
21 *c. Prepare and present to the council and the administration by September*
22 *19, 2011 a draft report on its findings including any recommendations*
23 *from the committee.*
24

25 The full resolution is attached to this report.
26

27 **Meetings**
28

29 The Budget Task Group met on the following dates:

30 August 12

31 August 16 (with Finance Director Hines)

32 August 23 (with Finance Director Hines)

33 September 4

34 September 9 (with Mike Bailey, Finance Director, City of Redmond – Cms
35 Smith & Simmonds only)

36 September 14

37 September 15 (with Mayor Gough, Assistant City Administrator Ceniza, Finance
38 Director Hines)

39 September 16
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41
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Summary of Work

The Budget Task Group met 8 times from August 12-September 16. The goal of the Task Group was to review the city's financial picture as presented to the council in the Finance Director's July 26 Mid-biennial Budget Report, and to make a determination as to whether or not the layoffs and cuts called for in the Mayor's July 26 memo were indeed warranted.

As a first step, the Task Group collated and forwarded to Finance Director Hines all councilmember questions and comments re his July 26 presentation.

Scope of Work 4.a. The Task Group met twice with Finance Director Hines and, with regard to item 4.a in its scope of work, quickly focused its inquiries to the following areas:

1. Verifying the Salary & Benefits methodology used by Director Hines
2. Clarifying the Recreation Center revenue picture so as to be able to compare May-August, 2011 actual revenues with projections used in the 2011/12 budget;
3. Confirming and incorporating the anticipated savings from the city's transition to a new benefits plan beginning in 2012.
4. Clarifying the status and reporting of the appx \$3.4M revenue from the sale of property to Edmonds Community College;
5. Determining if the level of new business activity occurring in Lynnwood 2011-12 is high enough to warrant an investigation of its potential impact on city revenues.

Scope of Work 4.b. The Task Group met with Mayor Gough, Assistant City Administrator Ceniza and Finance Director Hines on September 15 to further clarify the answers provided by Director Hines to the Task Group in his September 12, memo.

No meetings with other department directors were held.

Conclusions

- 1) The Task Group generally concurs with the numbers as provided by the Finance Director in his July 26 Mid-Biennial Review with the following observations:
 - a) We believe the anticipated General Fund Unencumbered Fund Balance is higher than that projected in the Review.
 - b) The Task Group believes the city will have a projected negative cash balance of \$550k by the end of 2012. This assumes full repayment of the \$3M Utility Fund Loan and keeping a \$4M balance in the General Fund Unencumbered Reserve Fund
 - c) There remain two outstanding items needing clarification:
 - i. Recreation Center actual revenues vs projections are not yet clear
 - ii. The scope of and impact on city revenues of new business activity is not yet clear

- 1 2) The projected cash flow problem is neither as immediate nor as dire as predicted and
2 the mayor's call for layoffs and cuts beginning October 1 is not supported by the
3 Budget Task Group. See attachment A.
4
5

6 **Recommendations**
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- 8 1. Postpone any layoffs & cuts until the council adopts mid-biennial budget
9 amendments later this year. It is anticipated that the full council will take up mid-
10 biennial amendments in November/December, 2011.
11 2. Continue the Budget Task Group through Dec 31, 2011 with the following scope of
12 work:
13 a) Re-assess the city's financial situation after receipt of the Finance Director's 3rd
14 quarter report expected to be presented to the council in October.
15 b) Analyze the effects on levels of service should the Mayor's suggested layoffs and
16 cuts be implemented.
17 c) Present conclusions and recommendations to the council by Nov 2, 2011 for
18 consideration during mid-biennial budget amendment deliberations.